

Issue Paper

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Division/Division Contact: Division of Workforce Solutions

Topic: W-2 Agency Extension Denial Determinations Due to Local Labor Market Conditions

Problem Description or Issue: Concerned that the “local labor market conditions” criterion is poorly defined and subject to arbitrary application, the W-2 Monitoring Committee has asked the Department to offer clearer guidelines on using this criterion as a basis either for granting or for denying time-limit extensions. In addition, the Institute for Wisconsin’s Future has asked the Department to develop a statistical methodology for determining whether jobs exist in the local labor market before denying 24- and 60-month extension requests (see letter from Kathleen Mulligan-Hansel, Ph.D., dated October 30, 2002).

Background: Under both federal and state law, participants in the Wisconsin Works (W-2) may receive cash assistance for a lifetime maximum of 60-months. Furthermore, under state law W-2 participants may participate in any W-2 subsidized employment position for a cumulative maximum of 24 months. However, the W-2 program provides for extensions to both the 60- and 24-month time limits under certain circumstances, including those in which a participant has made “all appropriate efforts to find unsubsidized employment and has been unable to do so because the local labor market conditions preclude a reasonable unsubsidized employment opportunity for that participant.”

Alternatives: Discussions among W-2 policy staff and Research and Statistics staff have reached some preliminary conclusions about how to offer clearer guidelines on using the local labor market criterion as a basis either for granting or for denying time-limit extensions. It may be possible, for example, to set some broad statistical parameters for deciding when local labor market conditions have (or have not) deteriorated to the point that a thorough job search is unlikely to succeed. But finding indicators sensitive not just to the local labor market in general, but to the market situation in sectors where W-2 participants are most readily placed, will be a more involved challenge. Furthermore, even a relatively sophisticated formula may not capture unique features of a regional labor market, much less the interactions between those unique features and a particular participant’s skills, job preparation, or personal circumstances. A local labor market may be depressed overall but thriving in the areas most suited to a given participant’s needs, and vice versa. The following discussion of specific options reflects these considerations.

1. **Let current process remain as it is.** Anecdotal information suggests that agencies primarily use a participant’s skills, job preparation, or personal circumstances to determine whether the local labor market precludes a reasonable job opportunity.

Pros:

- W-2 agencies are comfortable with the status quo.
- Provides local flexibility by allowing agencies to consider unique features of a local labor market and a participant’s personal circumstances.

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Cons:

- May be too arbitrary
- Doesn't consider economic indicators, such as unemployment rates.
- Advocates dislike current process for applying this criterion
- Recent changes in the labor market may warrant more guidance to agencies

2. **Develop an unemployment rate threshold that would be the sole factor in determining when an agency may deny an extension due to the local labor market precluding a reasonable job opportunity.** There are two options for determining the threshold:

2a. Use formula currently used to define economic downturn for contingency fund decisions. An economic downturn is defined as a twenty percent (20%) increase in the number of unemployed in the county, relative to January 2000 through July 2001, based upon Local Area Unemployment Statistics data. Although this formula would not be as inclusive of critical factors in determining labor market conditions as option 2b, this formula could be utilized immediately.

2b. Develop a formula that takes into consideration a broader range of economic indicators over a longer period of time, e.g., 1995 to 2000. In developing this threshold, the following indicators may be considered: total unemployed, # of manufacturing (due to the ripple affect created by a change in this job area) and temporary jobs and Unemployment Insurance claims. The index created by this formula would then be used as the threshold. This index may provide a more accurate depiction of the local labor market and its impact on obtaining employment. Unfortunately, it would take an undetermined amount of time to develop this type of formula.

Pros:

- Would remove concerns regarding the criterion being too arbitrary
- W-2 agencies and advocates would support the prescriptive guidelines

Cons:

- Doesn't take into consideration a participant's personal, employment or training history
- Doesn't take into consideration unique factors affecting local areas, such as a crisis beyond the control of an agency.
- Formula may be considered too generous by advocates or too limiting by W-2 agencies.
- Takes away agency flexibility

3. **Use general labor market statistics as “stage one” of a “two-stage” criterion that would also take account of specific local and personal circumstances.**

Stage 1: Labor market statistics establish a baseline presumption either for or against an extension, pending further documentation.

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Stage 2: Minimal additional information confirms the baseline presumption, or substantial additional documentation about unique local conditions/personal circumstances overrides it.

Pros:

- Takes into consideration a participant's skills, job preparation, or personal circumstances
- Take into consideration unique features of a regional labor market, such as a crisis beyond the control of an agency.
- Gives agencies more specific guidelines on when it is appropriate to approve or deny an extension based on local labor market conditions, but maintains flexibility
- May remove concerns regarding the criterion being too arbitrary

Cons:

- Formula may be considered too generous by advocates or too limiting by W-2 agencies.
- Overall, may not be prescriptive enough for advocates.

Comments/Positions by External Partners: Both the W-2 Monitoring Committee and the Contract and Implementation Policy Subcommittee reviewed the options and recommendation in December 2002.

W-2 Monitoring Committee

Attendees at the December 10, 2002 W-2 Monitoring Committee meeting were asked to submit comments to Margaret McMahon. Two individuals submitted comments jointly and those comments have been summarized below:

- Based on the Private Industry Council's *Survey of Job Openings in the Milwaukee Metropolitan Area: Week of October 12, 2002* (as prepared by John Pawasarat, Director of the UWM Employment and Training Institute and staff), DWD should instruct the Milwaukee W-2 agencies that they should stop using the local labor market criterion when considering extension requests.
- At a minimum, the W-2 agencies should have the burden of showing actual full-time job openings for which the participant was qualified, verified by recent agency contact with employers with the job openings.
- Implement the "Presumption in Favor of an Extension," which is proposed in the paper, immediately in Milwaukee County.
- Require agencies to follow current policy requiring agencies to show that there are available jobs for any participant for whom a time limit is approaching.
- If the Department pursues developing a formula, it should distinguish between the City of Milwaukee and the outlying areas of the County. More specifically, the formula should be restricted to job opening data within an area that can be reached by the Milwaukee County Transit System, when the buses are running.

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Contract and Implementation Policy Subcommittee

The recommendation put forth by the Department was generally accepted with the following suggestion:

- Identify a timeframe for which the formula should be applied. For example, should the FEP look back a specified period of time to determine the threshold, e.g., six months, twelve months, etc.

Comments by Technical Reviewers: The following recommendation has been reviewed by the DWD Office of Legal Counsel, Bureau of Partner Services, Bureau of Work Programs, and the Bureau of Workforce Information.

Recommendation to Secretary: #3 using the index described in 2a. above for immediate application, but should explore creating the more comprehensive index described in 2b above.

Example of how threshold would be applied: In this example, the threshold would be a greater than 20% increase in unemployed in any given county. This mirrors the contingency fund formula.

Above threshold (More than 20% increase in unemployment)	Presumption <u>in favor</u> of extension (Local labor market conditions likely preclude employment except in specific local or personal circumstances)	Extension approval needs only standard justification. Extension denial carries heavier “burden of proof.”
<div><div>←</div><div>THRESHOLD (20% increase in county unemployment)</div><div>→</div></div>		
Below threshold (Less than 20% increase in unemployment)	Presumption <u>against</u> extension (Local labor market conditions less likely to preclude employment, unless because of specific local or personal circumstances)	Extension denial needs only standard justification. Extension approval carries heavier “burden of proof.”